

Message Text

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ACTION STR-04

INFO OCT-01 EA-07 ISO-00 STRE-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

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R 280502Z JUL 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 1150

INFO AMEMBASSY SEOUL

AMEMBASSY TAIPEI

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E.O. 11652: N/A

TAGS: ETRD, JA

SUBJ: STAINLESS STEEL FLATWARE PETITION

REF: A) STATE 176956 B) TOKYO 10565 C) TOKYO A-246 D) TOKYO 643

1. FOLLOWING INFO CORRESPONDS TO QUERIES PARAS 2A-B REF: A.

A. AS INDICATED REF B, SPECIALTY STEEL CARTEL ACTIVITY IS LIMITED TO APPORTIONING THE JAPANESE QUOTA AMONG MEMBERS (EXPORTERS -- MAINLY TRADING COS.) BASED ON THEIR HISTORICAL MARKET SHARES. ACCORDING TO A LEADING CARTEL MEMBERS, FIRMS MAY USE THEIR ALLOCATIONS AS THEY WISH. THE EXPORTERS CAN BE EXPECTED TO NEGOTIATE, RATHER THAN DICTATE, THE ALLOCATION OF THEIR QUOTAS AMONG THE MANUFACTURERS WITH A VIEW TO MAXIMIZING PROFIT AND SALES VALUE WITHIN THE LIMITS OF THE RESTRAINTS. LABOR AND TECHNICAL CONSIDERATIONS AND ESTABLISHED RELATIONSHIPS AMONG EXPORTERS, MANUFACTURERS, AND U.S. CUSTOMERS ALSO WILL UNDOUBTEDLY BE TAKEN INTO AC-

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COUNT. MUCH SPECIALTY STEEL PRODUCTION IS ON ORDER WHICH

FURTHER LIMITS THE JAPANESE FIRMS' FLEXIBILITY IN SHIFT-
 ING THE PRODUCT MIX AMONG QUOTA ITEMS. THE PRESENT CAR-
 TEL IS THE FIRST STEEL CARTEL TO BE FORMED BY EXPORTERS
 RATHER THAN MANUFACTURERS (THIS WAS DONE FOR U.S. ANTI-
 TRUST REASONS) AND MAY GIVE THE EXPORTERS A STRONGER
 HAND THAN IN THE PAST. THE CARTEL'S BASE PERIOD (SEE
 REF. B) OPERATES TO THE DISADVANTAGE OF EXPORTERS WHO
 GREATLY INCREASED THEIR U.S. SALES IN CY 1975 AND THE
 FIRST QUARTERS OF CY 1976 (E.E., AFTER JAPANESE VR'S
 LAPSED AT END OF CY 1974). AS REF. C SHOWS, ON A
 WORLDWIDE BASIS JAPANESE STEEL EXPORTERS EXPECT THEIR
 1976 SPECIALTY STEEL EXPORTS TO INCREASE BY MORE THAN
 13 PERCENT IN VALUE BUT BY LESS THAN 3 PERCENT IN VOLUME.
 THIS CLEARLY INDICATES EXPECTATIONS THAT THE PRODUCT
 MIX WILL BE UPGRADED AND/OR PRICES INCREASED. MOST
 FLATWARE MATERIALS EXPORTED BY JAPAN TO U.S. ARE STRIP
 AND BARS. THE FIRST YEAR SHEET AND STRIP QUOTA IN THE
 OMA, 38.6 THOUSAND ST, IS OVER 4 PERCENT LARGER THAN
 JAPAN'S ACTUAL 1975 EXPORTS (36,985 ST ACCORDING TO
 U.S. STATISTICS) AND SHEET AND STRIP IS ALSO THE RE-
 CEIVING CATEGORY FOR THE LARGEST AMOUNT (10 PERCENT)
 OF SHIFT. ON THE OTHER HAND IN THE FIRST YEAR OF THE
 OMA JAPANESE SHIPMENTS TO THE U.S. OF STAINLESS STEEL
 BARS WILL HAVE TO BE CUT BACK FROM 1975'S 16.16 THOUSAND
 ST TO A MAXIMUM (INCLUDING SHIFT) OF 13.13 THOUSAND ST.
 THERE IS NO INFORMATION AVAILABLE ON THE HISTORICAL
 VOLUME OF MATERIALS EXPORTED FROM JAPAN TO U.S. MANU-
 FACTURERS OF STAINLESS STEEL FLATWARE. REF. D, HOWEVER,
 PROVIDES SOME BACKGROUND INFORMATION ON EXPORT PATTERNS
 IN THIS INDUSTRY. THE FOLLOWING TABLE PROVIDES GOJ OF-
 FICIAL STATISTICS ON JAPANESE EXPORTS TO THE U.S. FOR
 MUCH LARGER CATEGORIES IN WHICH STAINLESS STEEL FLAT-
 WARE MATERIALS ARE INCLUDED.

STAINLESS STEEL

CY BARS HOOP AND STRIP UNIT: METRIC TONS

1973	6,867	2,624
1974	10,887	4,235
1975	12,725	9,815

B. AVERAGE FOB JAPAN EXPORT PRICES OF STAINLESS LIMITED OFFICIAL USE

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STEEL STRIP AND HOOP TO KOREA, TAIWANN THE US, AND ALL
 COUNTRIES ARE AS FOLLOWS:

KOREA TAIWAN U.S. ALL COUNTRIES

1975	29.49	30.99	56.90	46.35
1976: JAN.	29.10	29.31	53.48	39.90
FEB.	29.25	30.39	61.62	43.26
MAR.	29.87	32.53	58.12	43.44
APR	29.72	29.16	55.56	41.22

MAY 29.39 32.40 57.32 42.01

THERE HAVE BEEN NO CHANGES IN EXPORT POLICIES SINCE
REF. D.

2. EMBASSY COMMENT: IT IS EMBASSY UNDERSTANDING THAT
THE TRIP AND BARS USED IN STAINLESS STEEL FLATWARE ARE
NOT AMONG THE HIGHER PRICED/HIGHER VALUE-ADDED PRODUCTS
UNDER IMPORT RESTRAINT. THUS WE BELIEVE THAT OVER TIME
JAPANESE FIRMS WILL SHIFT THEIR QUOTA EXPORTS AWAY FROM
THESE MATERIALS TOWARD MORE PROFITABLE PRODUCTS IN THE
SAME OMA CATEGORY. HOWEVER, INFORMATION REPORTED ABOVE
WOULD INDICATED THAT US. FIRMS WHICH ARE ESTABLISHED
CUSTOMERS OF JAPANESE EXPORTERS WHO HAD SIZABLE MARKET
SHARES DURING THE 1972-74 VRA PROBABLY WILL NOT EN-
COUNTER SUPPLY DIFFICULTIES IN THE NEAR FUTURE. THE
EXPERIENCE OF THE VRA'S, HOWEVER, SUGGESTS THAT PRICES
WILL GO UP.
SHOESMITH

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